

2000 Credit for Alternative Fuel Delivery Systems

Arizona Form 326

NOTE: *There may be a compliance audit when the department processes this credit form. This will cause a longer than normal processing time for your return.*

Phone Numbers

If you have questions, please call one of the following help numbers:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

You may also visit our web site at:
www.revenue.state.az.us

Credit Provisions

The alternative fuel delivery system credit provisions are as follows:

- The credit for constructing or operating an alternative fuel delivery system that is accessible to the public and/or that is dispensing a renewable fuel is 100 percent of the cost incurred, up to a maximum of \$400,000. This credit applies to each variation of alternative fuel type dispensed through the alternative fuel delivery system.
- The credit for constructing or operating an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel is 50 percent of the cost incurred, up to a maximum of \$200,000. This credit applies to each variation of alternative fuel type dispensed through the alternative fuel delivery system.
- If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.
- If you claim an alternative fuel delivery system credit for a system located at a fueling station, you must include the price of the alternative fuel on the standardized sign (designed by the Arizona Department of Commerce Energy Office) that contains the price of the other fuels sold at the station.

Eligibility Requirements

Eligibility Requirements for the Credit for Construction Costs

To be eligible for a tax credit, all of the following must apply:

- You must have entered into the contract to construct the alternative fuel delivery system before October 20,

2000. Contracts entered into after October 19, 2000 are not eligible for a tax credit.

- Construction of the alternative fuel delivery system must have begun before November 9, 2000.
- You must have filed Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out*, to the Office of Alternative Fuel Recovery/Department of Revenue by January 2, 2001. If you filed this form by mail, your form must have been postmarked by January 2, 2001.

Eligibility Requirements for the Credit for Operating Costs.

To be eligible for a tax credit, all of the following must apply:

- You must have entered into the contract to construct the alternative fuel delivery system before October 20, 2000 and construction must have begun before November 9, 2000. Operating costs for a system for which a construction contract was entered into after October 19, 2000, or for which construction began after November 8, 2000 are not eligible for a tax credit.
- The operating costs must have been incurred prior to November 9, 2000.
- You must have filed Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out*, to the Office of Alternative Fuel Recovery/Department of Revenue by January 2, 2001. If you filed this form by mail, your form must have been postmarked by January 2, 2001.

Attachments

When you claim a credit on Form 326, you should attach appropriate documentation to your claim. Your documentation should show the type of fuel being dispensed, when you entered into the purchase order/agreement, when construction began, and the amount of construction costs incurred.

The department may also ask for additional documentation upon audit.

Use of This Form

Use this form to do the following.

- Figure your credit for constructing or operating an alternative fuel delivery system that is accessible to the public and/or that is dispensing a renewable fuel.
- Figure your credit for constructing or operating an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel.
- Figure how much of a credit carryover you have available from a prior taxable year.

NOTE: *If you are eligible for a credit from more than one source (e.g., direct investment, flow-through from a partnership or S corporation), complete a separate Form 326 for each source.*

General Instructions

What is an Alternative Fuel Delivery System?

An alternative fuel delivery system is any facility that provides for the fueling of an alternative fuel vehicle.

What is an Alternative Fuel Vehicle?

An alternative fuel vehicle is a vehicle that is primarily propelled by an alternative fuel. The vehicle must be self-propelled and registered and titled in Arizona for operation on highways. Alternative fuel vehicles include neighborhood electric vehicles (NEV), bi-fuel vehicles and dedicated vehicles. However, vehicles like golf carts (unless the golf cart qualifies as a NEV), motorcycles, motor driven cycles, mopeds, electric bicycles, motorized wheelchairs, vehicles designed primarily for agricultural purposes, or vehicles not designed primarily for operation on highways (like forklifts) are not alternative fuel vehicles.

What is Alternative Fuel?

Alternative fuel is:

- Electricity
- Solar Energy
- Liquefied petroleum gas
- Natural gas
- Hydrogen
- A blend of hydrogen with liquefied petroleum or natural gas that complies with either of the following:
 1. Is used in an engine that is certified to meet at a minimum the United States Environmental Protection Agency low emission vehicle standard under 40 Code of Federal Regulations Section 88.104-94 or 88.105-94.
 2. Is used in an engine that is certified by the engine modifier to meet the addendum to memorandum 1-A of the United States Environmental Protection Agency.
- Alcohol fuels that contain not less than 85 percent alcohol by volume. Alcohol fuels are an alternative fuel only for vehicles that used alcohol fuels before August 21, 1998.
- A combination of at least 70 percent alternative fuel and not more than 30 percent petroleum based fuel and that operates in an engine that meets the United States Environmental Protection Agency low emission vehicle standard under 40 Code of Federal Regulations Section 88.104-94, or 88.105-94 and is certified by the engine manufacturer to consume at least 70 percent alternative fuel during normal vehicle operations.

What is a Renewable Fuel?

For the purpose of this credit, electricity or solar energy is a renewable fuel.

What Construction Costs are Eligible for the Credit?

For the purpose of this credit, construction costs are those costs associated with the construction of an alternative fuel delivery system.

What Operating Costs are Eligible for the Credit?

For the purpose of this credit, operating costs are those costs directly associated with the dispensing of alternative fuel through an alternative fuel delivery system, plus a reasonable charge for overhead functions. Such costs do not include any expenses directly or indirectly associated with the dispensing of gasoline or diesel fuel or the sale of items at retail not connected with the dispensing of alternative fuels.

Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Form 140, 140PY, 140NR, 140X, 120, 120A, 120S, 120X, or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the preparer TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

Credit Intent Notice

Answer the question on this line. Check the box for the answer that applies to you.

To be eligible for a credit for an alternative fuel delivery system, you must have filed State of Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out Payment* to the Office of Alternative Fuel Recovery/Department of Revenue. You must have filed this form by January 2, 2001. If you mailed this form, your form must have been post marked by January 2, 2001. You may also have used a private delivery service designated by the IRS to meet the "timely mailing as timely filed rule".

If you were unable to file the intent notice by the January 2, 2001 deadline, but feel that you are entitled to the credit, you may file Form 326 with an explanation of why you did not file the intent form by the deadline. If the department disallows your credit, you will be billed for any tax, penalty and interest that results from that disallowance. To avoid penalty and interest charges, you can file your original return without claiming the credit, then file an amended return to claim the credit.

Credit Computation

To figure your credit, first, determine what kind of alternative fuel delivery system(s) you constructed or operated, then complete the lines on this form for that type of system.

If you have more than four systems for any class of alternative fuel delivery system, complete an additional schedule for that class of system. The additional schedule should show the same information that is shown on the form for the first four systems in that class.

Part I - Credit for Construction and Operation of Alternative Fuel Delivery Systems that are Accessible to the Public and/or Dispense a Renewable Fuel

Lines 1 through 10 -

Use lines 1 through 10 to figure your credit for constructing or operating an alternative fuel delivery system that is either accessible to the public or dispenses a renewable fuel.

The credit for constructing or operating an alternative fuel delivery system that is accessible to the public or dispenses a renewable fuel is the amount of construction costs or operating costs incurred during the taxable year for the alternative fuel delivery system. The maximum credit for any such system is \$400,000. If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.

You may take a separate credit for each variation of alternative fuel dispensed through the alternative fuel delivery system. For the purpose of completing this form, treat each variation of alternative fuel as a separate alternative fuel delivery system.

Complete lines 1 through 10 as instructed on the form.

Part II - Credit for Construction and Operation of Alternative Fuel Delivery Systems that are NOT Accessible to the Public AND that Do NOT Dispense a Renewable Fuel

Lines 11 through 21 -

Use lines 11 through 21 to figure your credit for constructing or operating an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel.

The credit for constructing or operating an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel is 50 percent of the amount of construction costs or operating costs incurred during the taxable year for the alternative fuel delivery system. The maximum credit for any such system is \$200,000. If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.

You may take a separate credit for each variation of alternative fuel dispensed through the alternative fuel delivery system. For the purpose of completing this form,

treat each variation of alternative fuel as a separate alternative fuel delivery system.

Complete lines 11 through 21 as instructed on the form.

Part III – Total Current Year’s Credit

Line 22 -

Add the amounts on Part I, line 10 and Part II, line 21. Enter the total.

Part IV - Lessor/Lessee Agreement

Lines 23 through 30 -

If you have entered into a lease agreement for the alternative fuel delivery system, the lessor may claim a share of the credit for the system as provided in the lease agreement. The total credit allowed to be taken between the lessor and the lessee cannot be more than the total credit allowed for that system.

Complete lines 23 through 30 as instructed on the form.

Part V – S Corporation Credit Election and Shareholder’s Share of Credit

Line 31 - S Corporation Credit Election

All S corporations must complete line 31. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. One of the officers of the S corporation who is also a signatory to the Arizona Form 120S must sign this election.

Lines 32 through 34 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 32 through 34.

An S corporation must complete the Form 326 through line 31. Then, complete lines 32 through 34 separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder’s ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of the completed Form 326.

Each shareholder must complete lines 44 through 52.

Part VI – Partner’s Share of Credit

Lines 35 through 37 -

A partnership must complete the Form 326 through line 30. Then, complete lines 35 through 37 separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner’s ownership interest in the partnership. The partnership must furnish each partner with a copy of the completed Form 326.

Each partner must complete lines 44 through 52.

Part VII –

Part VII has been removed due to recent legislation.

Parts VIII through X –

Parts VIII through X have been removed due to recent legislation.

Part XI – Refund Election for Current Year's Credit – All Taxpayers Claiming the Credit

Lines 44 Through 48 -

Line 44 -

If the allowable credit exceeds the income taxes due for the 2000 taxable year, you must make an irrevocable election to do one of the following:

- Have the amount of credit not applied to the 2000 taxable year taxes refunded in a lump sum.
- Have the amount of credit not applied to the 2000 taxable year taxes refunded in two annual installments.
- Have the amount of credit not applied to the 2000 taxable year taxes refunded in three annual installments.

If you elect to have the refund paid out in two or three annual installments, no interest will be paid on those amounts.

Check box 44a if you are electing a lump sum refund.

Check box 44b if you are electing the refund be paid in two annual installments.

Check box 44c if you are electing the refund be paid in three annual installments.

Amounts refunded under this program will be subject to federal and Arizona tax. The department will issue a statement to you and to the IRS indicating the amount refunded to you. The statement issued to the IRS will include the total refund, regardless if choose a lump sum, 2 annual installments or 3 annual installments.

Line 45 -

Individuals and corporations, including S corporations that elected to take the credit, enter the amount from Part III, line 22, or if a lessor, from part IV, line 27 or if a lessee, from Part IV, line 30. S corporation shareholders, enter the amount from Part V, line 34. Partners of a partnership, enter the amount from Part VI, line 37.

Line 46 -

Enter the tax from your 2000 income tax return, after subtracting any tax credits (except the credit for alternative fuel delivery systems from Form 326) that you are applying against the 2000 tax.

Line 47 -

Subtract line 46 from line 45.

Line 48 -

If the amount on line 46 is more than the credit being claimed on Form 326, enter the amount from line 45 here.

If you checked the box on line 44a, enter the amount from line 45 here. If you checked the box on line 44b, divide the amount on line 47 by 2 and add the result to the amount on line 46 and enter the total on line 48. If you checked box 44c, divide the amount on line 47 by 3 and add the result to the amount on line 46 and enter the total on line 48.

Individuals also enter this amount on Form 140, page 1, line 38, or Form 140PY, page 1, line 39, or Form 140NR, page 1, line 38, or Form 140X, page 1, line 38.

Corporations also enter this amount on Form 120, page 1, line 25, or Form 120A, page 1, line 17, or Form 120X, page 1, line 25.

S corporations that are taking the credit also enter this amount on Form 120S, page 1, line 21.

NOTE Individuals Only: *If you are married, and you and your spouse file separate returns, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.*

Part X – Credit Carryover Available From Taxable Years 1995, 1996, 1997, 1998, and 1999

Lines 49 through 52 -

Use lines 49 through 52 to figure your total available credit carryover from taxable years 1995, 1996, 1997, 1998, and 1999. Complete lines 49 through 52 only if you claimed an alternative fuel delivery system credit on a prior year return for 1995, 1996, 1997, 1998, and/or 1999, and the credit was more than your tax.

In column (b), enter the credit originally computed for the taxable year entered in column (a). In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 49 through 51 in column (d). Enter the total on line 52, column (d).

Corporations and S corporations that elect to take the credit also enter the amount on line 52 on Arizona Form 300, Part I, line 17.

Individuals, also enter the amount on line 52 on Arizona Form 301, Part I, line 20.

NOTE Individuals Only: *If you are married, and you and your spouse file separate returns, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.*

Where Should I Mail My Return?

Attach this form to your Arizona income tax return, and mail your return to: Arizona Department of Revenue, PO Box 29206, Phoenix AZ 85038-9206. Do not mail your return to the address indicated on the tax return.